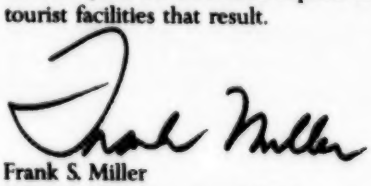
Minister's Message

I am pleased to present the Ontario Development Corporations' Annual Report for the fiscal year 1983/84.

According to an impressive array of research studies, the real engine of economic growth and regional development is the innovative entrepreneur. It takes a lot of enthusiasm, hard work, and a willingness to take risks to create a successful business. Ontario's three Development Corporations help many of these entrepreneurs across the province by providing them with the kinds of counselling service and financial assistance needed to turn their ideas into growing businesses.

The Development Corporations' range of services and financial assistance programs has been developed over the last 20 years in response to the varied and changing needs of the small business community. The men and women of the Development Corporations are committed to working with entrepreneurs to get new businesses started and to help existing businesses grow and prosper. We all benefit through the new jobs, the increased exports and the improved tourist facilities that result.



Frank S. Miller
Minister of Industry and Trade
November, 1984

Statement of the Chief Executive Officer

For over 20 years, the Development Corporations have provided financial advice and assistance to small businessmen and entrepreneurs with innovative ideas. With our help, they have turned their ideas into new products, new markets, new jobs, and new opportunities.

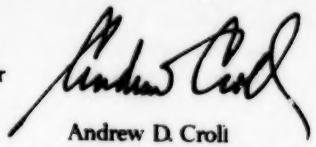
During the 1983/84 fiscal year, the Corporations approved 561 loans and guarantees totalling $95 million, which together with private sector financing, will generate $265 million in total capital investments in Ontario.

Almost all of the Development Corporations' activity is with very small businesses. Our typical client has only six employees when he comes to us for assistance. He borrows $100,000 from us and puts another $150,000 into his business from personal or other private sector sources. Five years later, according to a survey of ODC's current clients, our typical borrower has increased his payroll to 18 employees – three times the original number – with significantly increased sales as well.

We focus our efforts on three specific areas of the small business and entrepreneurial community – manufacturers, exporters and tourist operators. Small manufacturers make a major contribution to improving our technological base and to new product development. Small exporters develop new markets for these products. And good tourist operators give Ontario an important place in the growing world leisure market.

In addition to providing risk capital for small businesses, the people at the Development Corporations offer advice and counselling to thousands of businesses in their early stages of development. We service close to 10,000 inquiries every year, and provide couselling to more than half of these.

The Ontario Development Corporation operates two industrial parks – Northam Industrial Park, located in the Town of Cobourg, and Huron Industrial Park, near Exeter. These former military bases are now thriving industrial complexes housing 22 industrial companies with over 2,100 employees, and provide a strong economic base to their local communities.



Andrew D. Croli
Executive Director and
Chief Executive Officer
November, 1984

The Development Corporations

Combined Financial Statements for the year ended March 31, 1984

To the Ontario Development Corporation, Northern Ontario Development Corporation, Eastern Ontario Development Corporation, and to the Minister of Industry and Trade.

I have examined the combined balance sheet of the Development Corporations consisting of Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation, as at March 31, 1984 and the combined statements of operations and retained earnings for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Development Corporations as at March 31, 1984 and the results of their operations for the year then ended in accordance with the basis of accounting as described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

D.F. Archer, F.C.A.
Provincial Auditor.
Toronto, Ontario,
August 17, 1984.

Combined Balance Sheet as at March 31, 1984

Assets

	1984 $	1983 $
Cash	20,303,110	21,122,878
Short term deposits	13,166,078	22,189,468
Investment, at cost (note 12)	59,000	
Accounts receivable, net of allowance for doubtful accounts of $3,622 (1983 – $114,107)	222,974	300,897
Loans receivable		
Term, regular (note 11)	105,867,321	100,252,769
Term, incentive (note 11)	119,515,672	127,334,280
Performance, subject to forgiveness	110,979	767,760
Employment Development Fund	16,126,417	18,851,892
Ontario Industrial Parks Program	5,671,360	5,006,002
Board of Industrial Leadership and Development (BILD)	30,629,354	19,359,685
Eastern Ontario Subsidiary Agreement (note 2)	6,271,843	4,652,383
St. Joseph's Heritage (note 3)	1,296,000	1,248,000
Flood Relief Loan Program	457,158	504,171
Rural Ontario Development Program	1,092,609	706,725
Northern Ontario Rural Development Agreement (note 4)	2,611,819	1,121,469
Ontario Program of Financial Assistance for Canadian Book Publishers	350,011	–
Long term investment (note 5a)	2,060,200	440,200
Net investment in lease (note 6)	360,897	370,057
Serviced land at Sheridan Park, at cost, (note 1c)	219,115	217,510
Fixed assets, less accumulated depreciation (notes 7 and 9)	4,242,489	4,488,327
Land and building held for sale (note 8)	131,528	131,528
	330,765,934	329,066,001

See accompanying notes to combined financial statements.

On behalf of the Board:

Director

Director

Director

Liabilities

	1984 $	1983 $
Accounts payable and accrued charges	19,061	127,735
Interest payable	–	61,764
Deposits and trust accounts	1,768,343	780,098
Note payable – Ontario Land Corporation	406,276	451,418
Advances from the Province of Ontario –		
Performance loans, subject to forgiveness	105,033	850,100
Other	256,351,738	266,074,311
Deferred revenue –		
Eastern Ontario Subsidiary Agreement (note 2)	6,275,812	4,665,527
Northern Ontario Rural Development Agreement (note 4)	2,855,500	1,550,000
Ministry of Health		
St. Joseph's Heritage (note 3)	1,200,000	1,200,000
Provision for loss on investment (note 5b)	471,650	–
	269,453,413	275,760,953

Shareholder's Equity

Share capital – authorized and issued		
7,000 shares with a par value of $1,000 each	7,000,000	7,000,000
Retained earnings	54,312,521	46,305,048
	61,312,521	53,305,048
	330,765,934	329,066,001

See accompanying notes to combined financial statements.

Combined Statement of Operations for the year ended March 31, 1984

	1984 $	1983 $
Revenue		
Interest	19,377,466	19,000,202
Net income on Industrial Parks Operations (Schedule I)	483,896	763,196
Financing and rental income	50,094	36,344
	19,911,456	19,799,742
Expense		
Interest	21,149,599	22,367,281
Administration (Schedule II)	6,290,359	5,680,023
Performance loan forgiveness	579,864	690,477
Term loans written off (note 1b)	6,339,648	7,268,368
Payments on guaranteed bank loans (note 1b)	4,072,586	4,282,778
Guarantee interest subsidy	388,847	79,020
Grant	—	100,000
	38,820,903	40,467,947
Loss before recoveries from the Province of Ontario	18,909,447	20,668,205
Recoveries from the Province of Ontario		
Interest expense	9,822,266	12,457,968
Administration	6,290,359	5,680,023
Performance loan forgiveness	579,864	690,477
Term loans written off	6,339,648	7,268,368
Payments on guaranteed bank loans	4,072,586	4,282,778
Guarantee interest subsidy	388,847	79,020
Grant	—	100,000
	27,493,570	30,558,634
Net income before the following	8,584,123	9,890,429
Equity share of loss on long term investment (note 5b)	576,650	—
Net income for the year	8,007,473	9,890,429

See accompanying notes to combined financial statements.

Combined Statement of Retained Earnings for the year ended March 31, 1984

	1984 $	1983 $
Balance, beginning of year	46,255,968	35,730,735
Correction of prior period errors (note 9)	49,080	(16,116)
Balance, beginning of year, as restated	46,305,048	35,714,619
Net income for the year	8,007,473	9,890,429
Transfer from replacement of buildings reserve	—	700,000
Balance, end of year	54,312,521	46,305,048

See accompanying notes to combined financial statements.

Schedule I
Statement of Industrial Parks Operations for the year ended March 31, 1984 (note 1g)

	1984 $	1983 $
Revenue		
Rental and utility charges	2,877,681	3,109,336
Interest	512,496	627,170
	3,390,177	3,736,506
Expense		
Salaries and staff benefits	1,118,311	1,117,805
Maintenance and administration	791,753	785,725
Depreciation (notes 1d and 9)	881,037	898,660
Interest expense	111,833	59,046
Bad debt expense	3,347	112,074
	2,906,281	2,973,310
Net income for the year (note 9)	483,896	763,196

See accompanying notes to combined financial statements.

Schedule II
Combined Administration Expenses for the year ended March 31, 1984 (note 1f)

	1984 $	1983 $
Salaries and staff benefits	**5,012,412**	4,637,299
Transportation and communication	**528,118**	420,880
Services	**423,524**	460,271
Supplies and equipment	**326,305**	161,573
	6,290,359	5,680,023

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements March 31, 1984

1. Significant Accounting Policies

(a) General
The combined financial statements include the accounts of Ontario Development Corporation, Northern Ontario Development Corporation and Eastern Ontario Development Corporation.

(b) Loans written off and guaranteed loans paid
Write-offs of loans ultimately deemed uncollectible and guaranteed loans paid are charged directly to expense in the combined statement of operations. These write-offs are reimbursable by the Treasurer of Ontario.

(c) Serviced land at Sheridan Park, at cost
The original cost as well as the cost of improvements have been apportioned on a per acre basis, and the resultant per acre cost is used in determining the cost of sales of this land.

(d) Depreciation
Equipment purchases for head and district offices administration are charged to expense in the year of acquisition except for the Industrial Parks operations which capitalize all such expenditures.

Depreciation of fixed assets is provided on a straight-line basis, using rates of from 5 to 20 per cent per annum for buildings and improvements, and 20 per cent for equipment.

(e) Long term investments
The Ontario Development Corporation accounts for investments in which it has significant influence on the equity basis.

(f) Administration expenses
These expenses are reflected on a modified cash basis as followed by the Province.

(g) Industrial Parks Operations
Revenue and expenses related to the Industrial Parks operations are recorded on the accrual basis.

2. Eastern Ontario Subsidiary Agreement

The Eastern Ontario Subsidiary Agreement is an incentive program designed to aid small businesses by providing interest free forgivable loans to new and existing small businesses in Eastern Ontario. It is jointly funded by the Governments of Canada and Ontario under the Eastern Ontario Subsidiary Agreement.

Funds received for loan disbursements under the Agreement have been treated as transfer payments in the accounts of the Province. Although transfer payments are normally recorded as revenue, the Eastern Ontario Development Corporation has recorded the amount received from the Province as a liability which will be written down as loans are forgiven. This is consistent with the treatment accorded the other forgivable loans and avoids distorting the combined results of operations through timing differences between the recognition of the revenue and the subsequent expense on forgiveness of loans.

3. St. Joseph's Heritage

Funds were provided by the Ministry of Health and loaned to St. Joseph's Heritage, a medical and commercial centre, by the Northern Ontario Development Corporation under the authority of the Development Corporations Act. The Ministry of Health has undertaken to indemnify the Northern Ontario Development Corporation against all costs, losses or damages which it may suffer or become liable for in respect of the loan. Interest accrues on principal of $400,000 until April 1992. Subsequent to that date, the full advance is due and payable on demand and interest accrues on the entire outstanding balance from that time.

4. Northern Ontario Rural Development Agreement

The Northern Ontario Rural Development Agreement is an incentive program designed to aid small businesses by providing interest free forgivable loans to new and existing small businesses in Northern Ontario. It is jointly funded by the Governments of Canada and Ontario under the Northern Rural Development Subsidiary Agreement.

Funds received for loan disbursements under the Agreement have been treated as transfer payments in the accounts of the Province. Although transfer payments are normally recorded as revenue, the Northern Ontario Development Corporation has recorded the amount received from the Province as a liability which will be written down as loans are forgiven. This is consistent with the treatment accorded the other forgivable loans and avoids distorting the combined results of operations

through timing differences between the recognition of the revenue and the subsequent expense on forgiveness of loans.

This program terminated on March 31, 1984 and no further applications are being accepted. Payments on approved loans will be made to March 31, 1986.

5. Long Term Investments

(a) Allelix Inc.

The Ontario Development Corporation owns on behalf of BILD a 20 per cent equity interest in Allelix Inc., a joint venture with Canada Development Corporation (50 per cent) and John Labatt Ltd. (30 per cent), which will carry out basic and applied research in industrial and agricultural applications of biotechnology.

Transactions since acquisition consist of:

Common shares acquired	
200 shares, at cost	$ 200
Research contributions	2,060,000
	$2,060,200

The Ontario Development Corporation has, as agent for BILD, loaned Canada Development Corporation and John Labatt Ltd. $13,500,000 to finance the construction of the research facility. This loan, including accrued interest, is included in BILD loans receivable.

(b) HSA Systems Inc.

The Ontario Development Corporation acquired a 35 per cent equity interest in HSA Systems Inc. for cash consideration of $105,000. The other 65 per cent interest is held by CapVest Limited, a subsidiary of Canada Development Corporation. HSA Systems Inc. is engaged in research and development, manufacture and marketing of electrochemical reactor systems.

The carrying value of the investment has been reduced by the Ontario Development Corporation's share of losses since acquisition, being $576,650. The remainder of the loss is recorded as a provision for loss on investment.

6. Net Investment in Lease

The Corporations own property which is leased to a client with an option to purchase. The Corporation's net investment in the lease is composed of total minimum lease payments less unearned finance income:

	1984 $	1983 $
Total minimum lease payments receivable, including renewals, to March 1, 2000	634,446	667,602
Less: unearned finance income	(273,549)	(297,545)
	360,897	370,057

Lease payments under the terms of a renegotiated lease recommenced on June 1, 1983 after a 12 month moratorium.

Finance income related to the above direct financing lease is recognized in a manner that produces a constant rate of return of 8 per cent on the investment in the lease.

7. Fixed Assets

Fixed assets are stated at acquisition cost and consist of:

	1984			1983
	Cost $	Accumulated Depreciation $	Net $	Net $
Land	341,514	—	341,514	341,514
Buildings and improvements	10,684,224	6,905,337	3,778,887	4,034,818
Equipment	605,195	483,107	122,088	111,995
	11,630,933	7,388,444	4,242,489	4,488,327

8. Land and Building Held for Sale

This acquisition arose as a result of Northern Ontario Development Corporation taking possession of a security for a loan on default by the borrower. The land and building are stated in the accounts at appraised value at the date of acquisition plus costs of improvements.

9. Prior Period Errors

As a result of errors in depreciation calculation and the classification of certain assets in the Industrial Parks, the balance of retained earnings at March 31, 1983 has been adjusted by the cumulative amount by which depreciation had been reduced; $65,196 of the adjustment is applicable to 1983 and has been credited to income for the year. The remainder is applicable to years prior to 1983 and the balance of retained earnings at that date has been adjusted accordingly. Related fixed asset accounts also reflect the change in accumulated depreciation. The comparative figures have been restated.

10. Wholly-owned Subsidiaries, not Consolidated

The Northern Ontario Development Corporation owns, on behalf of the Province of Ontario, all the issued shares of Minaki Lodge Resort Ltd. and Minaki Development Company Limited. The Corporation's investment in these wholly-owned subsidiaries was written off in 1975-76.

The combined reported loss of these subsidiaries for the year ended March 31, 1983 was $908,192 of which $811,201 related to interest expense. The combined deficit of these two subsidiaries as at March 31, 1983 was $7,460,309 and the combined contributed surplus was $681,858. The financial information for the year ended March 31, 1984 is not yet available.

On March 10, 1983, non interest bearing debentures in the amount of $25,000,000 payable on demand were issued by Minaki Lodge Resort Ltd. and Minaki Development Company Limited in favour of Ontario Development Corporation. These debentures were issued as security for amounts disbursed by the former Ministry of Industry and Tourism, the Ministry of Tourism and Recreation and the Northern Ontario Development Corporation to these wholly-owned subsidiary companies. The Corporations have not recorded these debentures in the accounts.

The Corporations have not consolidated these subsidiaries as they are deemed to be only temporary investments and their activities are not compatible with those of the Corporations.

11. Allowance for Doubtful Loans

Term loans do not reflect an allowance for doubtful loans as the Treasurer of Ontario reimburses the Corporations for all uncollectible loans written off. Had an allowance for doubtful loans been set up, the Corporations estimate that $21,994,000 (1983 – $21,800,000) would have been recorded.

12. Investment

The Northern Ontario Development Corporation accepted non-voting, non-cumulative, redeemable 8 per cent preferred shares of a company in lieu of interest in arrears on loan indebtedness.

13. Contingent Liabilities

(a) As at March 31, 1984 contingent liabilities in the form of guaranteed bank loans or other guarantees amounted to $53,768,000 (1983 – $60,439,000).

(b) A legal action claiming aggregate damages of $4,500,000 plus interest has been instituted against Northern Ontario Development Corporation, Ontario Development Corporation and others by a former shareholder of Minaki Lodge Resort Ltd. and Minaki Development Company Limited. The Corporations are of the opinion that the claim is without merit.

14. Commitments

Loans authorized but not disbursed as at March 31, 1984 amounted to $96,406,000 (1983 – $112,775,000). The amount of guarantees approved in respect of which bank loans had yet to be advanced was $22,924,000 (1983 – $19,372,000).

In connection with the investment in Allelix Inc., there is a commitment for additional construction loans of $1,500,000 and additional research contributions of $13,000,000, each of which will be financed by BILD.

In connection with the investment in HSA Systems Inc., there is a commitment for additional contributions of $157,500.

15. Transfer of Wholly-owned Subsidiary

On March 31, 1984, Northern Ontario Development Corporation transferred all of the outstanding shares of Thunder Bay Ski Jumps Limited to the Ministry of Tourism and Recreation for no consideration. All loans to the subsidiary had been previously written off.

The reported loss of this former subsidiary for the year ended March 31, 1984 amounted to $113,087 (1983 – $100,877) and the reported deficit was $1,363,753 (1983 – $1,250,666).

16. Comparative Figures

Comparative figures have been reclassified where necessary to conform with 1984 presentation.

17. Subsequent Event

On August 9, 1984 the Ontario Development Corporation, acting as agent for the Ministry of Tourism and Recreation, has committed a loan up to $11,900,000 to the Metropolitan Toronto Convention Centre.

Boards of Directors 1983/84

The affairs of each of the three Development Corporations are under the management and control of Boards of Directors chosen from the small business community and appointed by the Lieutenant Governor in Council. The Boards are responsible to the Minister of Industry and Trade.

Ontario Development Corporation

James H. Joyce, Toronto (Chairman)
Alex Siversky, Hawkesbury (Vice-Chairman)
Sabina Adams, Sault Ste. Marie
William E. Biggs, Alban
John G. Dubien, Kapuskasing
Lloyd S.D. Fogler, Q.C., Toronto
C. David Gifford, Peterborough
Janet E. Guest, Renfrew
Bryan D. Hocking, Deep River
Douglas J. Johnson, Kenora
Michael D. Lipton, Q.C., Toronto
J. Ross Lowrie, Toronto
Marnie A. McGarry, London
William C. Munnoch, Woodstock
Fred J. Pillgrem, Meaford
William S. Thomson, Oakville

Northern Ontario Development Corporation

Douglas J. Johnson, Kenora (Chairman)
William E. Biggs, Alban (Vice-Chairman)
Sabina Adams, Sault Ste. Marie
Gordon J. Biddie, Parry Sound
Pat Birnie, New Liskeard
Gerald Brousseau, Timmins
Andrew F. Coffey, Thunder Bay
John G. Dubien, Kapuskasing
T. Craig Moffat, North Bay
A. Mills Paton, Thunder Bay
Franklin J. Pierce, Atikokan
Edward G. Skinner, Sudbury
Robert G. Topp, Sault Ste. Marie
Harry Vanderweerden, Gore Bay

Eastern Ontario Development Corporation

Alex Siversky, Hawkesbury (Chairman)
C. David Gifford, Peterborough (Vice-Chairman)
Walter Bray, Gananoque
Aurele Clement, Cornwall
Janet E. Guest, Renfrew
John F. Guthrie, Belleville
Bryan D. Hocking, Deep River
Arnie Jackson, Carleton Place
William A. Kelly, Kingston
Robert F. Leach, Belleville
Jean Guy Rivard, Orleans
C. Ian Ross, Ottawa
Philip Sweetnam, Stittsville
W. Reginald Workman, Morrisburg

POOR

QUALITY

ORIGINAL